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WASHINGTON (JTA) – Show me your budget and you'll show me your priorities, the old Washington saw goes, and by that measure Congress is half as committed as President Bush is to funding Palestinians – and twice as skeptical of how they will spend it.

Buried in the massive omnibus spending bill passed this week by Congress is approval for a ceiling of \$218.5 million in assistance for the West Bank and Gaza, just over half of the \$410 million or so the Bush administration had requested.

The half-measure on Palestinian funding is not necessarily the final congressional word -- the rest of the money still could come through in supplemental budget requests.

But the refusal to approve the full amount was one of several signs that Congress is not ready to wholeheartedly endorse the Bush administration's embrace of the government of Palestinian Authority President Mahmoud Abbas, who leads the Palestinian Fatah faction.

The funding that was approved comes with several strings attached, in part because of revelations that previous U.S. aid ended up going to a university in Gaza that lawmakers say is controlled by Hamas.

The conditions placed on the funding are being lauded by the American Israel Public Affairs Committee.

"To ensure maximum accountability and full transparency, Congress has required mandatory audits of P.A. finances and withholds part of the funds until the P.A. enacts a series of specific civil service and budgetary reforms," AIPAC, the pro-Israel powerhouse, said in a statement. "In order to provide the funds, the president must report on specific steps that the P.A. has taken to arrest terrorists, confiscate weapons and dismantle the terrorist infrastructure."

The bill also calls for a slight reduction in funding for Israel, reflecting an across-the-board cut of 0.81 percent to meet Bush's budget-trimming demands. Israel is slated to receive \$2.38 billion in military aid and \$39.6 million in refugee relocation assistance, down from the \$2.4 billion and \$40 million it would usually get.

Bush's proposed hike of defense assistance to Israel, from \$2.4 billion to \$3 billion, won't kick in until 2009.

In congressional testimony, top State Department officials have said the funding for Gaza and the West Bank is critical to the success of the U.S.-convened Palestinian-Israeli peace talks launched last month in Annapolis, Md.

Powerful Democrats with close ties to the pro-Israel lobby have expressed sympathy for such views, most notably Rep. Gary Ackerman (D-N.Y.), who chairs the Middle East subcommittee of the House of Representatives.

In a Dec. 12 hearing he convened, Ackerman broke with the pro-Israel orthodoxy that advocates strictly project-based funding for the Palestinians and abjures direct assistance. That approach derives from the 1990s, when direct funding from the West tended to disappear into a black hole of Palestinian patronage.

State Department officials at the hearing said Abbas' new prime minister, Salam Fayyad, had set new standards for transparency.

That led Ackerman to back the Bush administration request for \$150 million in direct assistance, in addition to the project-based funds that made up the rest of the proposal. Ackerman said the direct cash transfer would help the Palestinians leverage loans toward good governance.

"Without Palestinian governance and particularly security reform, there will be no law and order for ordinary Palestinians," he said. "There will be no future for a Fatah party that had become

too dumb, fat and happy to recognize it was losing the confidence of the Palestinian people; and there will be no loosening of Israeli checkpoints, roadblocks and night raids."

Still, Ackerman said, it was crucial that such funding be performance based.

"American money has to start leveraging change, not just buying more of the same," he said.

That attitude was clearly reflected in the funding package, which restricted the president's right to use a national security waiver on anything beyond the first \$100 million. Presidents often use such waivers, written into funding laws, to bypass congressional review. With this restriction, any further funds must come under strict oversight.

The bill also included a new provision banning any salary payments to residents of Gaza, apparently arising out of a mishap over the summer when Fayyad authorized payment to Fatah operatives who remained in Gaza after Hamas took control of the territory.

Some of the money went instead to Hamas officials, until Fayyad put a stop on it – a misdirection that led to rebukes from, among others, Rep. Eric Cantor (R-Va.), the minority deputy whip and the only Jewish Republican in the House.

The bill also bans payment to "any entity effectively controlled by Hamas." That clause apparently arose in part out of the revelation that the U.S. Agency for International Development had permitted funding that involved Gaza's Islamic University, which is allied with Hamas, a terrorist group.

Rep. Mark Kirk (R-Ill.), a senior member of the House Appropriations Committee, had asked the State Department's inspector general for an audit after learning from a Washington Times article last March that at least \$140,000 had gone to Islamic University.

The audit, released Dec. 10, revealed that the university had in fact received \$900,000 in

USAID-administered funds. However, in all but a handful of cases, the audit found that the funds had properly met the vetting requirement that the recipient "does not provide material support or resources for terrorism."

Apparently the fact that the university is not directly controlled by Hamas helped it meet the criteria.

This did not satisfy Kirk, who suggested the vetting standards needed an overhaul.

"I am concerned that current State Department anti-terror vetting procedures allow U.S. taxpayer assistance to reach terrorist-controlled institutions," he wrote in a letter to the State Department's inspector general's office Dec. 11.

Among other things, Kirk noted that top Hamas officials serve on the university's board of trustees and cited a raid by Fatah forces that uncovered a cache of Hamas arms on the campus.

In an effort to address such concerns, the funding bill bans funds to organizations "effectively" controlled by Hamas. Once Bush signs the bill into law, USAID will have to take the ban into account when dealing with the university.

Kirk also authored language funding a \$2 million audit of the U.N. Relief and Works Agency, the principal group assisting Palestinian refugees, by the General Accounting Office, Congress' auditing arm.

This is the latest round in a longstanding fight between UNRWA and Kirk and Rep. Steve Rothman (D-N.J.), who allege that funding from the U.N. agency has gone to terrorists. In a statement this week, Kirk's office said UNRWA officials have confirmed that families of suicide bombers had received cash from the agency.

But UNRWA officials counter that this is a distortion of their acknowledgment that it is impossible to fully verify whether families who qualify for agency funds because they have lost a breadwinner might be related in some way to suicide bombers.

It is not clear whether a GAO audit would be legal; the United States is a signatory to U.N. provisions leaving such audits to a U.N. body that rotates auditors from member nations.

Egypt also takes a hit, for the first time, in another provision of the bill related to the Israeli-Palestinian conflict.

Of the \$1.3 billion Egypt is to receive next year, \$100 million will be withheld until Egypt takes certifiable steps to "detect and destroy the smuggling network and tunnels that lead from Egypt to Gaza."